

Message Text

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PAGE 01 STATE 030302
ORIGIN STR-04

INFO OCT-01 EUR-12 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 ITC-01
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 SIL-01
/088 R

DRAFTED BY STR AWWOLFF:SPM
APPROVED BY STR:AWWOLFF
STATE: WBARRACLOUGH
TREAS:JRAY
COMMERCE:FABBUHL
LABOR:IKRAMER

-----101801Z 127339 /42

P 101528Z FEB 77
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652:N/A

TAGS: ETRD, US. EEC

SUBJECT: US SPECIALTY STEEL QUOTAS

REF: EC BRUSSELS 01146, EC BRUSSELS 01192

1. AMBASSADOR SHOULD DELIVER FOLLOWING RESPONSE ALONG
FOLLOWING LINES TO EC COMMISSIONER HAFERKAMP:

(A) WE APPRECIATE EC'S CONCERNS ABOUT PROBLEMS IN
WORLD STEEL TRADE AND AVOIDANCE OF A HEADON COLLISION WITH
THE UNITED STATES. WE AGREE THAT A CONFRONTATION WOULD NOT

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BE DESIRABLE, AND BELIEVE THAT EACH GOVERNMENT SHOULD MAKE
EVERY EFFORT TO AVOID FURTHER RESTRICTIVE MEASURES. WE
ARE DISQUIETED BY CONTINUING REPORTS OF PRESSURES WITHIN
THE COMMUNITY AND THE POSSIBILITY THAT THE EC REACTIONS TO
THOSE PRESSURES COULD LEAD TO FURTHER DEFLECTION OF STEEL
EXPORTS TO THE UNITED STATES MARKET AS WELL AS WORSENING
THE ATMOSPHERE FOR MAINTENANCE OF REASONABLE OPEN MARKETS.

(B) PART OF THE PROBLEMS THAT THE COMMISSION CITES WITH RESPECT TO THE FALLING OF INDIVIDUAL QUOTA CATEGORIES FOR STEEL FROM THE COMMUNITY RESULTS FROM AN

ATTEMPT BY THE UNITED STATES TO ACCOMMODATE EC CONCERNS. WE ESTABLISHED A SINGLE QUOTA FOR EACH CATEGORY FOR THE NINE MEMBER STATES RATHER THAN ALLOCATING INDIVIDUAL AMOUNTS TO EACH MEMBER STATE. THIS HAS HAD THE EFFECT OF CREATING INTENSE COMPETITION AMONG MEMBER STATE PRODUCERS TO FILL THE QUOTA AMOUNTS ALLOCATED TO THE EC WITH THE FURTHER RESULT THAT THESE QUOTAS FILLED MUCH MORE QUICKLY THAN WOULD OTHERWISE HAVE BEEN THE CASE. THUS, THE QUOTAS TO DATE HAVE SERVED PRIMARILY TO INCREASE THE RATE AT WHICH IMPORTS ENTER, RATHER THAN AS PROTECTION FOR AN INJURED INDUSTRY. FOR EXAMPLE, PLATE FROM THE EC WERE AT AN ANNUAL RATE OF 4,500 TONS UNDER THE QUOTAS COMPARED WITH A PREVIOUS PEAK OF 3,800 TONS IN 1974, DESPITE A 25 PERCENT DROP IN CONSUMPTION. ROD IMPORTS FROM THE EC WERE AT AN ANNUAL RATE OF 13,000 TONS UNDER THE QUOTA COMPARED WITH THE 1974 PEAK OF 9,700 TONS, DESPITE 18 PERCENT LESS CONSUMPTION.

(C) IT IS PARTICULARLY REGRETTABLE, IN ANY ATTEMPT TO AVOID CONFRONTATION, THAT THE COMMISSION HAS SEIZED UPON AN ARTIFICIAL DEADLINE TO PRESS THIS ADMINISTRATION TO REVIEW A MAJOR POLICY DECISION WITHIN A FEW DAYS. AS THE COMMUNITY IS AWARE, THE PERIOD FOR EXERCISE OF GATT RIGHTS IS SOMETHING THAT CAN BE SETTLED ENTIRELY BY MUTUAL LIMITED OFFICIAL USE

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AGREEMENT, AND IN FACT THERE IS NOTHING TO PREVENT THE UNITED STATES FROM UNILATERALLY WAIVING A REQUIREMENT OF A SPECIFIC NOTICE PERIOD. THEREFORE, THE UNITED STATES

HEREBY WAIVES THE REQUIREMENT OF GATT ARTICLE XIX, PARAGRAPH 3(A) THAT 30 DAYS NOTICE BE GIVEN PRIOR TO ANY RETALIATORY ACTION, IN FAVOR OF A THREE DAY NOTICE.

(D) WITH THE FULL RECOGNITION, HOWEVER, THAT A CONFRONTATION IS HIGHLY UNDESIRABLE, THE UNITED STATES GOVERNMENT HAS UNDERTAKEN A HIGH LEVEL REVIEW OF THE STEPS REQUESTED IN THE COMMISSION PAPER. IT IS EXPECTED THAT THIS INTERNAL REVIEW WOULD RESULT IN CABINET-LEVEL CONSIDERATION SOON (F.Y.I. WEEK OF FEBRUARY 14) AFTER WHICH A MORE COMPLETE RESPONSE CAN BE PROVIDED TO THE COMMISSION.

(E) IN ACCORDANCE WITH THE COMMISSION'S PAPER OF FEBRUARY 7, THE UNITED STATES WOULD BE PREPARED TO AGREE WITH THE COMMUNITY TO EXTEND THE CONSULTATION PERIOD

PROVIDED FOR IN GATT ARTICLE XIX, WHICH WOULD IN EFFECT
EXTEND THE PERIOD FOR EXERCISE OF THE COMMUNITY'S RIGHTS
UNDER THAT ARTICLE.

2. FOR YOUR INFORMATION THE TRADE POLICY REVIEW GROUP IS
SCHEDULED TO DISCUSS THE ISSUE OF REALLOCATIONS OF THE
SPECIALTY STEEL QUOTAS AND THE ISSUE OF ASKING THE USITC
FOR ADVICE ON TERMINATION OR REDUCTION OF RELIEF. THIS
MEETING WILL TAKE PLACE 4:30 THURSDAY, FEBRUARY 10, IT IS
POSSIBLE THAT THE MATTER COULD THEN BE DISCUSSED AT THE
ECONOMIC POLICY GROUP MEETING ON MONDAY, FEBRUARY 14.
ANY DECISION TO ASK FOR REVIEW OF THE QUOTAS WILL HAVE
SIGNIFICANT DOMESTIC POLITICAL AND ECONOMIC EFFECTS.

THOUGHTFUL CONSIDERATION OF THESE EFFECTS PREVENTS AN
EARLIER RESPONSE TO THE COMMUNITY, HOWEVER, IT APPEARS THAT

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THE ACTIONS INDICATED ABOVE WOULD CONSTITUTE EVIDENCE
THAT "THE U.S. GOVERNMENT IS PREPARED TO MOVE" IN THE
DIRECTION REQUESTED BY THE COMMISSION'S NOTE. WE HAVE OF
COURSE BEEN DOING STAFF LEVEL PREPARATION FOR A DECISION
OF THIS KIND, IN VIEW OF THE COMMISSION'S CONCERNS RAISED
IN THE LAST FEW MONTHS OF 1976.

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ORIGIN EUR-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED BY EUR/RPE:EACASEY:CC

APPROVED BY EUR/RPE:EACASEY

-----150228Z 041890 /66

P 150215Z FEB 77

FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

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FOL RPT STATE 030302 ACTION EC BRUSSELS 10 FEB 77 QUOTE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, STEEL, IMPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE030302
Document Source: CORE
Document Unique ID: 00
Drafter: SPM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770048-0400
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770253/aaaabvfm.tel
Line Count: 291
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ab4874c8-c288-dd11-92da-001cc4696bcc
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 1146, 77 EC BRUSSELS 1192
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3352457
Secure: OPEN
Status: NATIVE
Subject: US SPECIALTY STEEL QUOTAS
TAGS: ETRD, US, EEC
To: EC BRUSSELS
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ab4874c8-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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